

Focus Group on Interlibrary Loan and Direct Loan Summary Report

prepared by
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I. The Meeting

On May 18, 2000, representatives from the seven Library of California Planning Regions participated in a focus group meeting in Sacramento, to discuss Library of California loan programs. Joan Frye Williams, Information Technology Consultant, was the discussion leader, and State Library staff were present to assist and to ask and answer questions as appropriate. A full list of focus group participants and the organizations they represent is attached at the end of this summary report.

The purpose of the meeting was to review options for compensating participation in Library of California interlibrary and direct loan programs and to recommend a policy direction for the Library of California Board. Focus group participants considered but did not limit their discussion to the compensation options outlined in the Himmel and Wilson report, *Supporting Interlibrary Loan and Direct Loan Services in California's Multitype Library Environment*.

This summary is intended to document the results of the focus group meeting. Audio tapes of the complete proceedings are also available for review.

II. The Process

The discussion was structured around the seven "Principles to be Considered in Developing a New Compensation Program" described in Himmel and Wilson's report. These principles and the meeting agenda are also attached at the end of this summary report.

To stimulate new ways of thinking about compensation for resource sharing, focus group participants were asked to evaluate and discuss the Himmel and Wilson principles, first from a user's point of view, then from an elected

official's point of view, and finally from a librarian's point of view. They were asked to examine their current assumptions about interlibrary and direct loan policies and practices and encouraged to explore possible new directions for loan compensation.

The discussion leader would like to thank all participants for their candid, constructive, and thought-provoking comments.

III. The State of the State

In addition to specific comments about loan compensation strategies, the focus group participants made a number of important general points about the current state of resource sharing in California, and about how interlibrary and direct loan seem to be evolving:

California already has a more highly developed loan program than other states.

One of the most interesting findings of the Himmel and Wilson study is that no other state currently offers a statewide, multitype loan program that is superior to what is already in place in California. The task therefore is to refine the existing program and think creatively about new directions rather than to adopt another state's approach.

California is not the only state that has had problems securing increased funding to support increased loan activity.

In fact, every state surveyed seems to be struggling with this issue. This may of course be an indication of the state of the economy and of public spending patterns in recent years. We must also ask, however, whether cooperative loan programs as currently conceived by the library community simply do not compete well with other state-level funding proposals.

Awareness of—and support for—existing programs is too low.

Are library directors the only people who believe in resource sharing? There is presently no broad or vocal constituency for these programs outside the library community. We need to do a better job of demonstrating both the

availability and the benefits of cooperative loan programs to users, to front line library staff, to local administrators and officials, and to legislators.

Though the mechanisms for resource sharing should be largely invisible to the user, perhaps we should make more of a point of crediting both the program itself and the lending library, e.g. "This material was provided to you courtesy of the AnyCity Library, Jane Doe, Mayor, as part of the Library of California's cooperative loan programs."

The divide between lending and borrowing libraries seems to be widening.

Resource sharing seems to work best when the cooperating partners are perceived as generally equal contributors and the distribution of funds is seen as fair and equitable. However, in today's uneven funding environment, heavy lenders may feel they are being asked to provide services that should have been handled by the borrower's primary library. At the same time, heavy borrowers who see state payments directed to their better funded neighbors feel that the state programs are simply making the rich richer. Both points of view have some validity, and all seem to agree that this gap has been increasing.

Consultant's note: In the public library segment, disparities in funding levels have indeed worsened since the loan programs' inception more than twenty years ago. County revenues in particular began to lag just after the California Library Services Act was enacted—with the passage of Proposition 13 in 1978 and AB 8 in 1979. The available county funding base was again dramatically degraded by the ERAF (Education Revenue Augmentation Fund) property tax shifts of 1991 and 1992. Essentially, city libraries have for many years had more potential funding sources to draw upon than county libraries. Without significant changes in overall state tax policy the gap between haves and have-nots will continue to widen.

One apparent symptom of this local funding gap is that cities have been withdrawing from county library systems and establishing independent city libraries—and becoming heavy net lenders in the process.

Improvements in lending efficiency will require improvements in both request management and materials delivery systems.

Focus group participants stressed the fact that loan programs are just one slice of the resource sharing process. Investment in infrastructure for connectivity, patron tracking (authentication), loan tracking, and document delivery activities must be made concurrently with the expansion of loan

compensation programs. Furthermore, this investment needs to be made at the regional and statewide level, where these activities now occur.

In fact, in an era of Z39.50 connectivity and widespread access to bibliographic data, delivery systems play a special role in shaping loan activity. Public libraries tend to borrow within a geographic region because they share ground-based delivery systems. UC and CSUC libraries tend to borrow first from their sister campuses because there are statewide delivery schemes that link them. The analogous business model (Amazon.com et al) uses FedEx, UPS or USPS delivery quite effectively, though none of these commercial delivery services is regional. The message seems to be that, as delivery goes, so goes resource sharing in general. Therefore, changes in delivery methods may have a significant future impact on cooperative loan programs.

In an increasingly electronic environment, the distinction between direct loan and interlibrary loan is blurring.

The trend is now towards “extended circulation” systems, in which the electronic processes for tracking loans to an individual non-resident patron or to another library are essentially the same. Over time, direct loan and ILL seem to be converging. We’re not there yet, but we seem to be moving in that direction.

The focus group envisioned a probable future in which desired materials are shipped directly to the patron and do not make an interim stop at another library. Is this direct loan or interlibrary loan? There was also some concern that this approach—and other steps towards “disintermediation”—might lead to misuse of the loan programs if adequate safeguards are not built in.

Focus group participants further noted that improvements in patron access to automated finding tools and request systems are saving work at the requesting library but do not result in substantial savings for the lending library.

IV. A New Consensus on Loan Compensation

Himmel and Wilson recommended that the Board expand the existing transaction-based reimbursements (TBR) program to include all types of libraries. The focus group consensus was to recommend a more creative approach to loan compensation, based on the following concepts:

Provide sign-up incentives for new participants.

- Users are best served when many libraries participate.
- Political support is also strongest when many libraries participate.
- Participation is more easily justified when there is an immediate benefit for joining the program.
- Libraries that do not have a long tradition of multitype resource sharing need encouragement—think “signing bonuses.”

Don’t limit compensation to cash payments.

- Compensation doesn’t have to come in the form of a check.
- Access to free or discounted databases, network services, training, etc. can be valuable incentives to participation—think “membership benefits.”
- Non-cash compensation may have particular appeal to special and academic libraries that have established coupon or fee-based systems for interlibrary loan; non-cash compensation could help to avoid conflict over “double dipping.”
- Compensation other than cash cannot be diverted for non-library purposes.

In a multitype environment, one size does not fit all.

- Compensation that is attractive to one library segment is not always attractive to other segments.
- There are enough different compensation schemes already in place in various library segments in California that it would be difficult to define a single approach that would not duplicate or conflict with existing programs.
- Consider allowing participants to choose from a range of participation incentives—think “cafeteria plan.”

Provide baseline compensation annually.

- Compensate (cash or other compensation) all participants each year, perhaps using an approach similar to the way in which Statewide Data Base participants are now subsidized.
- Baseline compensation would cover the first n number of loans (10? 100?) and libraries that did not exceed that number would not have to file any further claims—think “standard deduction.”
- Set the baseline low enough so that libraries are not paid for doing nothing.
- This approach decreases paperwork and lowers the threshold for participation by small libraries, particularly school libraries.

For both programs, compensate all loans.

- Even though California has a long history with the net loan approach, we should recognize that all resource sharing activity has an impact on local operations, and that you can't pay staff with in-kind services.
- The net loan approach is increasingly hard to justify to local administrators.
- Libraries with budget constraints are more likely to participate wholeheartedly in loan programs and offer these services to their patrons if they can expect at least some compensation.
- The current net loan approach may exacerbate the divide between well funded and poorly funded libraries, and may even have the unintended effect of providing an incentive for city libraries to withdraw from county systems.
- It may be acceptable to compensate individual transactions at a lower rate (e.g. partial subsidy rather than full handling costs) if all loans are compensated.
- Compensation should continue to be based primarily on handling costs, but other metrics are not out of the question.
- Handling costs should be measured in efficient, automated libraries. There should be no incentive—as there seems to be in Oregon—for higher payments to libraries that do not operate efficiently.

Recognize the efforts of “top tier” lenders.

- The more service a library delivers to non-residents, the greater the risk of compromising service to its primary clientele.
- The more services a library delivers to non-residents, the harder it is to justify participation in resource sharing programs to local administrators.
- Once loans to non-residents exceed n% (10%? 20%? some average based on activity levels statewide?) of a library's total circulation, it is reasonable to provide some additional form of compensation, in recognition of the local impact of resource sharing.
- Alternatively, it would be reasonable—though much more complex to administer—to calculate net loans and compensate them at a higher rate than loans that are offset by services received from other libraries.

Invest in infrastructure to manage and monitor loan activity electronically.

- We need to find ways to keep track of resource sharing activity automatically, without sample periods and manually recorded “tick marks”.

- Some automatic means of auditing participation, i.e. measuring a library's performance in filling the requests it receives, would help to ensure accountability and prevent abuse of the system.

V. Recommended Next Steps

Though the focus group was in general agreement about these new concepts, the participants recognized that they have proposed several significant departures from current practice—perhaps even departures from the current law. Therefore they felt that the group's work should be distributed for further comment before the Library of California Board takes action.

If these new compensation concepts have general support, it makes sense to plan a regional pilot implementation and test them under field conditions before adopting them statewide.

Attachments

- List of focus group participants
- Focus group meeting agenda
- Himmel and Wilson "Principles to be Considered in Developing a New Compensation Program"